



INFORMATION STATEMENT IN COMPLIANCE WITH SECTION 33(1) OF THE MUNICIPAL FINANCE MANAGEMENT ACT (MFMA)

Date: 01/07/2025

1. Introduction

This information statement is issued in accordance with Section 33(1) of the Municipal Finance Management Act (MFMA) (Act No. 56 of 2003), which requires that any long-term contract with financial obligations extending beyond three financial years be made public, along with a summary of the municipality's obligations.

The Richmond Municipality intends to enter into a contract relating to the provision of an IP-based telephone management system for a period of 60 months. The contract will impose financial obligations on the municipality for a period longer than three years covered in the annual budget for the financial year 2025/2026. This statement outlines the financial obligations, risks, and compliance measures associated with this agreement to ensure transparency and public participation before final approval.

2. Background and Purpose

The Municipality intends to appoint a qualified service provider to supply, install, configure, and maintain a centralized, cloud-based IP Telephone System across multiple municipal sites. This system will include:

- Provision of 170 IP handsets and 1 switchboard system
- Implementation of VOIP and telephony management tools
- Installation of supporting infrastructure (POE switches, UPS, routers)
- Call monitoring, reporting, and PBX management functionality
- Technical support and maintenance over the 60-month term
- Training of municipal IT staff and helpdesk operators

3. Objective and Rationale

The objectives of this long-term service contract are:

- To reduce telecommunication costs and eliminate inefficiencies inherent in the current PABX systems.
- To improve call monitoring, security, and administration.
- To enhance operational efficiency, staff mobility, and customer service.
- To ensure continuity of communication infrastructure through centralization and integration

4. Summary of the Proposed Finance Lease Agreement

The contract will result in financial obligations over a five-year period, extending beyond the three-year medium-term revenue and expenditure framework (MTREF). The anticipated cost of the contract is estimated at R4million inclusive of VAT, spread over five financial years. This includes capital costs, monthly service fees, and maintenance provisions.

The cost implications have been factored into the draft 2025/2026 budget and projections for the outer years. Annual reviews and adjustments will be undertaken in line with Section 21A of the MFMA and applicable budgetary processes.

5. Risk Considerations and Mitigation Strategies

The Municipality has applied due diligence in assessing the technical, operational, and financial risks associated with the implementation of the proposed telephone management system. Mitigation measures include:

- Service Level Agreement (SLA) with uptime guarantees of 99.6%
- Scheduled maintenance and support
- Training and internal capacity building
- Scalability of infrastructure to meet future demands.

6. Compliance with MFMA and Public Participation

To ensure full compliance with the MFMA Section 33, the following public consultation and financial governance measures will be undertaken:

A. Public Consultation Process

- This Information Statement, along with the draft Agreement, will be made publicly available for stakeholder review.
- Community members and relevant stakeholders will be invited to submit comments within a stipulated consultation period.

B. Municipal Council Approval

- The agreement will be presented to the municipal council for consideration.
- A report summarizing public input and financial analysis will accompany the final council decision.

C. Treasury Engagement

Copies of this statement and supporting documents will be submitted to Provincial and National Treasury for assessment.

7. Other Legal and Regulatory Compliance

Furthermore, this long-term contract is governed by:

- The Municipal Finance Management Act, 2003
- The Municipal Systems Act, 2000
- National Treasury MFMA Circulars and SCM Regulations
- Preferential Procurement Regulations
- ICASA requirements and related ICT legislation

8. Availability of Documents and Public Participation

Copies of the draft contract and this information statement are available for inspection at the following locations:

- Richmond Municipality Offices, 57 Shepstone Street, Richmond
- Municipal Website: www.richmond.gov.za

9. Contact Person

For any enquiries regarding the proposed contract or this process, please contact:

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